

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

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COUNTRY East Germany

REPORT

SUBJECT Information on Schaeffer und
Budenberg, Magdeburg

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This is UNEVALUATED Information

THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
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1. During 1954, the Schaeffer-Budenberg factory in Magdeburg manufactured 1,500 potentiometers for the Soviet Union. These potentiometers measure number, temperature and pressure and record the measurements every second on a cardiogram. The Soviets reportedly use the potentiometers in atomic experimentation. Schaeffer-Budenberg intends to display one of these potentiometers at the Leipzig Fair in February 1955. 25X1
2. According to the production plan drawn up by the East German government, much of Schaeffer-Budenberg's productive capacity during 1955 was to be reserved for Soviet contracts. As late as December 1954, the directors of the plant were promised officially that these contracts from the USSR would be forthcoming. However, in January 1955 they were suddenly informed that the Soviets would not grant any more contracts to Schaeffer-Budenberg. Several other East German factories were also reportedly refused contracts by the Soviets at the same time. This touched off considerable speculation at Schaeffer-Budenberg that the Soviets did not desire to grant any contracts to factories in an exposed position west of the Oder-Neisse Rivers because an outbreak of hostilities with the West was imminent.
3. The refusal of the Soviets to grant additional contracts has put Schaeffer-Budenberg in a difficult position. They do not have enough sales orders to utilize the plant capacity previously reserved for the Soviet orders. During 1954, Schaeffer-Budenberg produced about 15,000 small bicycle engines but there seems little likelihood that this order can be expanded enough to keep the plant occupied. The sales delegation from BIA which travelled to South America in August 1954 has also failed to develop new markets for Schaeffer-Budenberg products. In an effort to obtain new contracts, the sales director, Brunian (Bnu), will travel to China in the near future. Another Schaeffer-Budenberg sales representative will travel to Finland for the same purpose.

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(Note: Washington distribution indicated by "X"; Field distribution by "P".)

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4. Until recently, Schaeffer-Bulenberg was forbidden to stockpile more than a six to eight weeks' supply of scarce raw materials, but during January 1955 the directors were suddenly instructed to stockpile sufficient raw materials to operate the plant for nine months. Since most of these raw materials must be purchased [redacted] the order led to considerable speculation that the East German government decided to lay in supplies in preparation for a new blockade of [redacted] or a possible severance of trade relations [redacted]

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